GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:6190
ANSWERED ON:06.05.2005
LOAN TO RURAL POOR
Rao Shri Sambasiva Rayapati;Saradgi Shri Iqbal Ahmed;Sidhu Shri Navjot Singh

Will the Minister of FINANCE be pleased to state:

(a) whether it is a fact that policies of banks towards rural people are not responsive and is totally rural neglect;

(b) if so, the details thereof;

(c) whether attention of the Government has been drawn to Union Rural Development Minister`s statement in Dakshin Kannada in this regard; and

(d) if so, the reaction of the Government thereto ?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S.PALANIMANICKAM)

(a) and (b): No, Sir. In order to augment the credit flow to rural area, the Government announced a credit package on 18th June, 2004 mainly with a view to:-

(i) doubling of credit flow to agriculture within 3 years;

(ii) financing 50 lakh new farmers during 2004-05.

(iii) providing debt relief to farmers in distress and arrears and one time settlement for small and marginal farmers;

(iv) extending financial assistance to provide relief from indebtedness from non-institutional sources (e.g. Private Money lenders)

The following figures of credit disbursement show positive growth in credit to agriculture sector:-

(Rs.in crores)

AGENCY	2002-03	2003-04	2004-05(provisional)
Co-operative Banks	23636	26875	30638
Regional Rural Banks	6070	7581	11718
Commercial Banks	39774	52441	72886
Other Agencies		80	84
Total	69560(12.1%)	86981(25.0%)	115242(32.9%)

(Figures in Brackets indicate percentage Groivth over previous year)

(c) & (d) : Attention of the Government has been drawn on performance of some bank branches regarding Swaranajayanti Gram Swarozgar Yojana (SGSY) and rate of interest. The Government has advised the CMDs of all Public Sector Banks and Chairmen of Regional Rural Banks to ensure that the targets under SGSY are fulfilled and stern action is taken against the non-performing branches. As the interest rates on loans by Banks have been deregulated/ they have been charging rates of interest keeping in mind their cost of funds,risk premium, cost of intermediation etc. However,the interest rate policy of the Reserve Bank of India provides that interest rates on loan upto Rs.2 lakh by Commercial Banks should not exceed the Benchmark Prime Lending Rate.